

Housing trust fund includes small state minimum

Washington, DC - Rep. Peter Welch (VT-AL) today backed H.R. 3221, the American Housing Rescue and Foreclosure Prevention Act of 2008, to provide funding for a landmark affordable housing fund, help Vermont homeowners struggling with the mortgage crisis, and assist with stabilizing the mortgage industry.

The bill establishes a National Affordable Housing Trust Fund that by 2012 will provide \$500 million in funding for states and local communities to distribute grants to organizations, agencies, non-profits, or for-profits that demonstrate the capacity to build and rehabilitate affordable housing.

Welch worked with Financial Services Chairman Barney Frank to assure that small rural states receive a minimum level of funding under the distribution formula.

"This bill puts the dream of homeownership and affordable housing within reach of more Vermonters and more Americans. And it provides much needed stability and oversight to the mortgage market," said Welch.

The Trust Fund is modeled after successful state programs like Vermont's Housing Trust Fund. In 1987, Welch was an original sponsor of the Vermont Housing and Conservation Trust Fund Act, which has generated over 8,500 units of affordable housing statewide since its inception.

Gus Seelig, executive director of the Vermont Housing and Conservation Board, said "It is great to see Congress and Representative Welch making this significant commitment to improve access to affordable housing. With the small state minimum, this legislation will provide a significant boost to the good work already being done here in Vermont."

The American Housing Rescue and Foreclosure Prevention Act of 2008 also seeks to provide stability to the mortgage market.

The legislation provides for a new and substantially strengthened Government Sponsored Enterprises (GSE) regulator to oversee the business practices, operations, and mission obligations of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.

The bill also provides mortgage refinancing assistance, which will help keep families from losing their homes. It will expand programs run by the Federal Housing Administration (FHA) in order to allow borrowers in danger of losing their homes to refinance into lower-cost government-insured mortgages they can afford.

Welch added, "This legislation helps address the trouble in the mortgage market, but Congress and the federal government must continue to oversee the housing industry to assure its long-term stability."

The plan requires both homeowners and lenders to take responsibility for the crisis. In order to qualify for refinancing and new government backed mortgages, lenders and mortgage investors will be required to take a loss and borrowers must share with the government any profit from the resale of a refinanced. Additionally, the new plan is open only to owner-occupied homes. Speculators, investors and second-home owners are not eligible.

The bill also includes safeguards for taxpayers, requiring the new GSE regulator approve all executive compensation, and that taxpayers must be paid back before investors any time the new authority is invoked.